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FISCAL IMPACT STATEMENT

LS 6615

BILL NUMBER: SB 534

NOTE PREPARED: Jan 28, 2013

BILL AMENDED:

SUBJECT: Prescription Drug Costs.

FIRST AUTHOR: Sen. Grooms

BILL STATUS: As Introduced

FIRST SPONSOR:

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill specifies limitations on certain out-of-pocket costs for prescription drugs under coverage provided by a state employee health plan, a policy of accident and sickness insurance, and a health maintenance organization contract.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Summary:* If the state elects to provide prescription drug benefits in the state employee health plan after this bill is enacted, this bill could increase the costs of the state employee health plan between \$1.1 M and \$1.4 M per year. However, the extent to which the increased costs would be passed on to health plan participants through higher employee-paid premiums, lower wage increases, or a reduction or elimination of health benefits is unknown.

Additional Information:

Impact on Health Plan Costs: To the extent the state employee health plan offers coverage for prescription drug costs after the effective date of the bill, this bill will require the cost-sharing amount (including copayments, coinsurance, or other out-of-pocket costs) for prescription drug costs to not exceed 1/12 of the maximum out-of-pocket costs for qualified health plans offered through the health insurance exchange (HIX) under the federal Patient Protection and Affordable Care Act (PPACA). Additionally, any out-of-pocket costs paid by a covered individual in the state employee health plan for prescription drugs must be included in any out-of-pocket annual limitation.

The bill does not require the state employee health plan to provide coverage for prescription drugs, and provisions of the bill will apply to any state employee health plan that is established, entered into, amended, or renewed after June 30, 2013, and the provisions will expire July 1, 2015.

The State Personnel Department reports that including the maximum out-of-pocket costs specified in the bill in the state employee health plan could increase health plan costs between approximately \$1.1 M and \$1.4 M annually. This increase may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would cover the added costs or pass the costs on to employees.

Explanation of State Revenues: The bill's requirements will also apply to policies of accident and sickness insurance offered in the state. As a result, insurance companies that offer policies of accident and sickness insurance will be required to provide prescription drug benefits within the cost structures specified in the bill. The inclusion of this benefit may increase insurance premiums in the state. To the extent this occurs, the state could receive additional revenue from taxes paid on insurance premiums. Revenue received from the Insurance Premium Tax is distributed to the General Fund. Actual increases in state revenue from insurance premiums are indeterminable.

For FY 2012, the insurance premium tax collected approximately \$203 M in revenue.

Explanation of Local Expenditures: Local government units and local school corporations that are enrolled in the Local Unit Government Employees (LUG) health plan or that purchase private group insurance could also be affected by the provisions of this bill.

If this bill increases local costs to participate in the LUG health plan or to purchase private group insurance plans, it is not known how much of the increased costs will be borne by the local unit and by the participating individuals.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: School corporations; Local units of government.

Information Sources: Christy Tittle, State Personnel Department; Keith Beesley, State Personnel Department.

Fiscal Analyst: Bill Brumbach, 232-9559.